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Grain and Feed Annual

Philippine Grain and Feed Situation and Outlook

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Report Highlights: The Philippine grain market in 2013-15 is turning out to be a period of extraordinary dynamism. In wheat, massive imports of Turkish flour combined with a steep fall in feed wheat imports is expected to see total wheat imports decline some 12% to 3.2 million tons in July 2013-June 2014 Marketing Year (MY13/14). However, imports are forecast to recover to 3.7 million tons in MY14/15 as feed wheat inventories recover. Post estimates corn production will reach a record 7.7 million tons in MY13/14 and 7.8 million tons in MY 14/15 due to expanded planting of biotech seed varieties and the Philippine government's (GPH) investment in postharvest infrastructure. The full implementation of the Association of South East Asian Nations Trade in Goods Agreement (ASEAN FTA or ATIGA), which encourages the domestic hog and poultry industries to pursue export opportunities, will likely push corn imports up to 400,000 tons in

MY14/15 from 300,000 tons in MY13/14. While the industry reports large stocks could support modest exports in MY 13/14, traders report the government has not yet granted any export licenses.

Despite successive record rice production in recent years, the widely publicized goal of self-sufficiency has remained elusive. While some have criticized the government for this “shortcoming”, others have pointed out the strong demand should be celebrated as a reflection of the Philippines being one of Asia’s fastest growing economies. Of greater concern are charges that the government’s intentionally suppressed “official” imports (roughly 600,000 tons in 2013) led to a rapid depletion of stocks that sent consumer prices soaring 40-50% during the year. The rapid run-up in prices (due in part to successive natural disasters) significantly increased “unofficial imports” the trade places between 300,000 tons – 1 million tons. The surge in prices and smuggling led the government to announce a major increase in 2014 official imports to roughly 1.4 million tons. With the amount of smuggled rice expected to remain constant, total Philippine rice imports in 2014 are forecast to reach 2 million tons, one of the highest in the world. Post expects imports to remain at roughly the 2 million ton level in 2015, especially in light of increased Thai access to the Philippine market from the ASEAN FTA.

Executive Summary:

There continues to be no commercial production of wheat or “small grains” (barley, oats, etc.) in the Philippines. As a result, the country is a major importer of milling-quality wheat and the United States is its largest supplier. Milling wheat imports over the past several years have remained fairly steady, ranging between 2.1 – 2.3 million tons per year, with the balance of total wheat imports consisting of feed-grade wheat.

Philippine paddy rice production increased 2.2% from 18.0 million tons in 2012 to a record 18.4 million tons in 2013, while corn output declined 0.4% from 7.41 million tons in 2012 to 7.37 million tons last year. On a July-June market year basis, MY13/14 rice and corn output are expected to increase from the previous year’s levels despite several typhoons. Rice production is again expected to increase (and surpass the 19 million ton level for the first time) in MY 14/15, enhanced by high rice prices and continued GPH investment in irrigation and postharvest infrastructure. MY 14/15 corn output is also expected to expand and reach a record 7.8 million tons due to investment in postharvest infrastructure and increased use of superior quality planting seeds.

Milling wheat imports are likely to increase, albeit in marginal terms, through MY14/15 due to the positive economic prospects and the expanding Philippine population. While milling wheat is expected remain the top U.S. agricultural export to the Philippines, expanded sales are expected to be constrained by imports of Turkish flour. Turkish flour imports accounted for an estimated 7% of overall milling wheat imports in 2013, unchanged from the 2012 level. Millers in the region allege Turkey is dumping flour, and claim CIF quotes for Turkish flour are in many cases less than CIF wheat prices.

MY13/14 feed wheat consumption in the PSD table (at the end of this report) has been pared down slightly to reflect less-than-expected imports for the year. A modest increase in feed wheat demand is predicted in MY14/15 in order to replenish stocks, as well as to meet the expanding feed demand

of the growing livestock and poultry industries.

According to industry data, average corn prices in 2013 were cheaper at P14/kilo (\$0.31/kilo) compared to feedwheat with an average price of P15.85/kilo (\$0.35/kilo). Quality issues surrounding local corn, however, forced local feedmillers to use imported corn, mainly from Thailand in MY13/14. Corn imports are likely to increase in MY14/15 due to heightened demand for feed ingredients.

Under the Association of South East Asian Nations (ASEAN) Trade in Goods Agreement (ATIGA), corn imports have a 5% duty (through 2015) while rice tariffs are at 40% (through 2014 and to 35% by 2015). This compares to the World Trade Organization's (WTO) 35% and 40% Most Favored Nation tariff rate quota for rice and corn, respectively (through 2015), and a 50% duty for both grains outside the quota. Rice imports under the WTO have quantitative restrictions which expired in 2012, but are expected to be renewed pending the outcome of ongoing negotiations.

The smuggling of rice into the Philippines intensified in 2013, according to numerous local press articles, corroborated by industry and trade contacts. Despite record local production, smuggling incentives were especially high in 2013 as retail prices of rice sharply increased by 30-40% (P29-40/kilo), according to official data. Rice prices were visibly higher in the Metro-Manila area markets with outlets selling at the mid-P40s per kilo. Smuggled rice volume estimates vary, but all are significant. A trade contact estimates undocumented imports at 300,000 tons, while industry sources place smuggled rice at up to a million tons in 2013. Post estimates smuggled rice to be around 550,000 tons. The GPH is currently conducting an investigation on rice smuggling.

Responding to increasing rice prices, the Philippine Department of Agriculture (DA) and the National Food Authority (NFA), in November 2013, authorized the importation of 500,000 tons, the majority which is to arrive in 2014. Inflation rose to 4.2% in January 2014, the highest in two years, as a result of increasing food prices. Then in March 2014, the DA announced an additional 800,000 tons importation. As a result, MY13/14 imports were raised from the original 1.4 million tons to 2.0 million tons, to be comprised of the 350,000 tons Minimum Access Volume (MAV), the 500,000 tons additional licensed imports announced late 2013, an estimated 600,000 tons representing partial delivery of the 800,000 tons of official additional importation for 2014, and 550,000 tons of undocumented imports.

No significant change in overall rice imports is predicted MY14/15.

Commodities:

Wheat

Corn

Rice, Milled

Production:

According to the DA Bureau of Agricultural Statistics (BAS), the value of local farm output in 2013 expanded 1.1%, down from 2.9% in 2012 and below its 3-5% target range for the year. Overall crop production accounted for 51% of overall farm output, and grew marginally (0.09%)

from the previous year's level. Rice had the largest share of total farm output in 2013 accounting for 18%, followed by hog production (13% share), chicken (11%), and corn production (6% share).

The livestock and poultry subsectors combined accounted for 31% of Philippine agricultural output in 2013, growing 1.75% and 4.2%, respectively, from the previous year's level. Fisheries expanded 1.2% in 2013, and accounted for roughly 18% of farm output during the year, according to the BAS report.

Wheat

There is no commercial wheat and "small grain" (barley, oats, rye) production in the Philippines.

Corn

Corn output in 2013 reached 7.38 million tons, slightly lower than the 7.41 million tons output in 2012, according to BAS. Similarly, area harvested in 2013 declined by 0.4% from 2.59 million hectares to 2.56 million hectares in 2012. Yields, however, improved slightly from 2.86 tons/hectare in 2012 to 2.88 tons/hectare in 2013. Major corn producing areas in 2013 included the Cagayan Valley, Northern Mindanao, and Southern Mindanao. Over four million tons or roughly 55% of the 2013 output was realized in the 2nd semester.

For the January-June 2014 period, BAS projects corn output to increase 10% to 3.65 million tons from the production level during the same period in 2013. BAS attributes the increase in the first six months of 2014 to a wider area harvested, as well as better yields. According to BAS, area harvested during the period is likely to increase due to more use of in-fallow areas, early planting, shifting from other uses to corn cultivation, increased use of hybrids and better yielding seeds.

On a July-June market year basis, corn output and area harvested in MY13/14 were raised based on the BAS forecast for the first half of 2014 and its production estimates for the July-December 2013 period. Despite a series of typhoons that passed through the country in 2013, yields are likely to improve to 2.95 tons/hectare in MY13/14 from 2.84 tons/hectare yield level in MY12/13.

In 2013, the average ex-farm price of yellow corn was P11.63 (\$0.26) per kilo, lower than the 2012 and 2011 average farm prices of P12.43 (\$0.28) and P11.94 (\$0.27) per kilo, respectively. Average ex-farm price of white corn was P13.82 (\$0.49) per kilo in 2013, three percent higher than the P13.35 (\$0.30) average price in 2012. Yellow and white corn farm gate prices through 2013 are provided below. Prices for 2011 and 2012 have been updated based on BAS data, and may slightly differ from prices provided in previous reports.

Yellow Corn: Monthly Average Prevailing Prices (P/Kg)					
	2011	2012	2013	%	Change
Farmgate				12/11	13/12

Jan	13.20	14.31	12.31	8.41	-13.98
Feb	13.07	12.79	11.73	-2.14	-8.29
Mar	11.74	11.75	11.64	0.09	-0.94
Apr	11.48	12.03	11.78	4.79	-2.08
May	11.28	12.52	11.74	10.99	-6.23
Jun	11.18	12.09	11.64	8.14	-3.72
Jul	10.19	11.93	11.31	17.08	-5.20
Aug	10.62	12.40	11.45	16.76	-7.66
Sep	10.75	12.42	11.73	15.53	-5.56
Oct	12.46	12.39	11.27	-0.56	-9.04
Nov	13.52	12.37	11.49	-8.51	-7.11
Dec	13.91	12.17	11.42	-12.51	-6.16
Average	11.95	12.43	11.63	4.02	-6.48

Source of Basic Data: Bureau of Agricultural Statistics

White Corn: Monthly Average Prevailing Prices (P/Kg)					
	2011	2012	2013	%	Change
Farmgate				12/11	13/12
Jan	12.35	14.06	14.19	13.85	0.92
Feb	12.72	14.31	14.12	12.50	-1.33
Mar	14.95	13.70	14.60	-8.36	6.57
Apr	15.44	13.23	14.40	-14.31	8.84
May	15.76	13.01	14.46	-17.45	11.15
Jun	15.75	11.95	14.22	-24.13	19.00
Jul	15.48	13.14	13.60	-15.12	3.50
Aug	13.08	12.43	12.88	-4.97	3.62
Sep	13.54	12.52	12.88	-7.53	2.88
Oct	14.68	13.13	13.00	-10.56	-0.99
Nov	14.65	14.11	13.68	-3.69	-3.05
Dec	14.43	14.62	13.77	1.32	-5.81
Average	14.40	13.35	13.82	-7.30	3.49

Source of Basic Data: Bureau of Agricultural Statistics

The GPH, through the NFA, buys minimal amounts of yellow and white corn at P10 (\$0.22) and P12.30 (\$0.27) per kilo, respectively. As of May 2013 (latest data available), the NFA has purchased an estimated 2,700 tons of locally produced yellow corn grain.

For MY14/15, corn production is expected to post modest gains compared to the previous years' level as the local hog and poultry industries pursue export opportunities ahead of the economic integration of the Association of South East Asian Nations in 2015 (see TRADE and POLICY).

Rice

According to BAS, paddy rice (palay) production in 2013 reached a record 18.4 million tons, up 8.1 percent from the 2012 level. Area harvested in 2013 increased 3.4 percent to 4.75 million hectares compared to the 2012 level, while yields improved to 3.9 tons per hectare from 3.8 tons per hectare during the same period. Major rice producing areas in 2013 included the Cagayan Valley, the Autonomous Region of Muslim Mindanao, the Bicol Region, and the Caraga and Southern Mindanao regions.

For the January-June 2014 period, BAS projects paddy rice output at 8.43 million tons for a 5% output gain from the 7.99 million tons production level during the same period in 2013. BAS attributes the production increase to an expected wider area harvested, as well as better yields compared to the previous year's levels. Philippine rice production and area harvested in MY13/14 were raised consistent with the most recent BAS estimates for the January-June 2014 forecast.

Under its Food Staples Self Sufficiency Program 2011-2016, the GPH hopes to produce an estimated 21.5 million tons in 2014. Despite increasing production in recent years, few analysts believe achieving self-sufficiency status is feasible in the foreseeable future given infrastructure constraints, rising demand from a thriving economy, continued entry of undocumented shipments and climate change uncertainties (see POLICY).

BAS reports that the average farm gate paddy prices in 2013 was at P16.94 (\$0.38), 4.4% higher than the average price of P16.22 (\$0.36) per kilo in 2012.

Paddy Rice: Monthly Average Prevailing Prices by Market Level (P/Kg)					
	2011	2012	2013	%	Change
Farmgate				12/11	13/12
Jan	14.73	16.23	15.92	10.18	-1.91
Feb	15.13	16.29	15.68	7.67	-3.74
Mar	14.98	16.23	15.93	8.34	-1.85
Apr	15.45	16.32	15.95	5.63	-2.27
May	15.56	16.49	16.30	5.98	-1.15
Jun	15.93	17.01	17.06	6.78	0.29
Jul	14.68	16.51	17.47	12.47	5.81
Aug	14.49	16.11	18.14	11.18	12.60
Sep	14.11	15.34	17.00	8.72	10.82
Oct	15.23	15.88	17.13	4.27	7.87
Nov	15.56	15.94	17.95	2.44	12.61
Dec	16.15	16.30	18.69	0.93	14.66
Average	15.17	16.22	16.94	6.95	4.40

Source of Basic Data: Bureau of Agricultural Statistics

The NFA, continues to buy clean and dry paddy rice at P17 (\$0.38) per kilo. As of May 2013 (latest data available), an estimated 240,000 tons of locally grown rice has been procured by the NFA.

Rice output will likely continue to increase in MY 14/15 compared to the previous year's level due to firm demand and continued GPH investment in infrastructure. Paddy prices were over P20 per kilo in early April 2014, according to official data.

Consumption:

Wheat

There are at least 15 mills that compose the Philippine flour milling industry with an aggregate capacity estimated at 4 million tons. Existing plants operate below potential (at roughly 50 percent) due to flat milling wheat demand. Despite the underutilized capacity, new mills are coming on line. There are at least two new mills with an estimated combined daily milling capacity of 450 tons that recently became operational. Excess capacity will likely increase in MY14/15 as growth of milling wheat demand is expected to be marginal.

At least partly to blame for the flat demand is the increasing competition from cheap imported wheat flour from Turkey which is sold up to 40 percent lower than locally produced flour, according to trade contacts. There are at least 25,000 bakeries operating in the Philippines and small and medium-size bakers use an estimated 55 percent of overall wheat flour (see POLICY, Wheat).

The local hog industry accounts for an estimated 60-65 percent of the country's feed requirements, poultry with a 25-30 percent share and the balance divided by the local fishery subsector and other animal farms. Feedwheat demand in these industries is mainly price determined, i.e., more feedwheat is used if corn is more expensive and vice-versa.

The average domestic feedwheat price in 2013 was P15.85/kilo (\$0.35/kilo), according to local industry associations. The average price was highest in June 2013 at P17.06/kilo (\$0.38/kilo) and lowest at P15.10/ kilo (\$0.34/kilo) in March and November last year, according to the same source.

Feedwheat: Monthly average prevailing prices by market level (P/Kg)					
	2011	2012	2013	% Change	
Ex-Bulacan				12/11	13/12
Jan	16.00	15.40	16.00	-3.75	3.90
Feb	16.00	14.45	15.24	-9.69	5.47
Mar	15.25	13.70	15.10	-10.16	10.22
Apr	14.45	13.50	15.40	-6.57	14.07
May	13.88	13.84	16.08	-0.29	16.18

Jun	14.00	13.70	17.06	-2.14	24.53
Jul	13.00	14.36	16.70	10.46	16.30
Aug	13.00	15.90	16.70	22.31	5.03
Sep	13.30	16.50	16.55	24.06	0.30
Oct	15.60	16.00	15.70	2.56	-1.88
Nov	15.60	16.00	15.10	2.56	-5.63
Dec	15.75	16.13	14.60	2.41	-9.49
Average	14.65	14.96	15.85	2.08	5.99

Source of Basic Data: Philippine Association of Feedmillers

Feedwheat was selling at P14.00/kilo (\$0.31/kilo) in January 2014, while the wholesale price of yellow corn was slightly lower (P13.95 or \$0.31/kilo), according to preliminary data from industry. As a result of the recent price differences and feedback from industry, feedwheat demand was pared down modestly in MY13/14. Feedwheat consumption is expected to recover and increase in MY14/15 due to the expanding feed demand of the growing domestic hog and poultry industries.

Corn

The local hog sector has been undergoing consolidation in recent years. According to industry, small raisers have been declining while large hog operations, which use more sophisticated raising methods (e.g. modern animal health and nutrition technology, including quality feed rations), have been expanding. Dominated by large integrated commercial operations, the local poultry industry also continues to modernize and grow. In 2013, the poultry subsector expanded 4.2% and accounted for roughly 15% of overall farm output.

Super-typhoon Haiyan (locally known as Yolanda) devastated the eastern side of the Visayas region in November 2013. Although it was one of the largest storms ever recorded, grain losses were minimal (147,000 tons of rice and 23,000 tons of corn). Also affected were chicken layer and broiler farms in Central and Western Visayas. Despite the losses, as well as those due to previous weather disturbances in 2013, industry expects a quick recovery and modest expansion in feed demand in 2014.

The following are monthly average retail prices of yellow corn for the period 2011-2013. According to BAS data, the average yellow corn retail price in 2013 was at P22.04/kilo (\$0.49/kilo), two percent higher than the 2012 average price of P21.51/kilo (\$0.48/kilo).

Yellow Corn: Monthly Average Prevailing Prices (P/Kg)					
	2011	2012	2013	% Change	
Retail				12/11	13/12
Jan	19.84	21.14	21.80	6.55	3.12
Feb	20.26	21.14	22.27	4.34	5.35
Mar	19.41	21.39	22.42	10.20	4.82

Apr	18.75	21.76	22.50	16.05	3.40
May	18.78	21.76	22.79	15.87	4.73
Jun	18.84	22.00	22.31	16.77	1.41
Jul	19.73	21.82	22.01	10.59	0.87
Aug	19.80	21.80	21.85	10.10	0.23
Sep	19.84	21.66	21.47	9.17	-0.88
Oct	20.17	21.48	21.63	6.49	0.70
Nov	21.05	21.08	21.77	0.14	3.27
Dec	21.17	21.14	21.61	-0.14	2.22
Average	19.80	21.51	22.04	8.64	2.42

Source of Basic Data: Bureau of Agricultural Statistics

For white corn, the average 2013 retail price of white corn was P19.81/kilo (\$0.44/kilo), slightly higher (0.5%) than the P19.72 (\$0.44/kilo) average price in 2012 (refer to the following table). No significant change in white corn consumption is expected through MY14/15.

White Corn: Monthly Average Prevailing Prices (P/Kg)					
	2011	2012	2013	% Change	
Retail				12/11	13/12
Jan	18.99	19.45	19.83	2.42	1.95
Feb	19.04	19.85	19.67	4.25	-0.91
Mar	18.71	19.60	19.77	4.76	0.87
Apr	18.42	19.60	20.00	6.41	2.04
May	18.12	19.80	29.58	9.27	49.39
Jun	18.44	19.68	18.63	6.72	-5.34
Jul	19.16	19.67	18.02	2.66	-8.39
Aug	19.80	19.53	18.18	-1.36	-6.91
Sep	19.80	20.05	18.40	1.26	-8.23
Oct	19.53	19.60	18.74	0.36	-4.39
Nov	19.48	20.00	18.33	2.67	-8.35
Dec	19.40	19.77	18.52	1.91	-6.32
Average	19.07	19.72	19.81	3.37	0.45

Source of Basic Data: Bureau of Agricultural Statistics

Because 2013 was predominantly a ‘wet’ year characterized by frequent rainfall and some flooding, more drying and storage problems are expected in MY13/14. Only an estimated 15 percent of the domestic harvest is dried properly with the rest sun-dried in the open, according to industry contacts. The same source reports local feedmillers prefer imported corn grain as most (up to 70%) of locally grown corn is aflatoxin-contaminated. FSI Consumption in MY13/14 was raised due to more food corn consumption (corn grits-processing) and increased spoilage

losses during the year. FSI consumption is likely to increase in MY14/15 due to the same reasons.

Feedcorn use is predicted to continue increasing considerably through MY14/15. Being Avian flu and FMD-free, the Philippines is in a unique position to export meat and meat products to the region with the full implementation of the ATIGA. The domestic livestock and poultry sectors are expected to capitalize on this advantage and vigorously expand production. Already, there have been recent and tangible investments in new grain handling and storage facilities, as well as poultry and hog dressing plants, cold chain facilities and slaughterhouses.

Rice

While rice losses were minimal as a result of Typhoon Utor and tropical storm Trami (which passed through the main island of Luzon in August 2013), local media reported on a spike in rice prices, and the scarcity of cheaper NFA rice shortly after the storms. Press articles pointed to hoarding efforts by smugglers and unscrupulous traders to embarrass the DA's rice-self-sufficiency drive (by forcing it to import rice) as reasons.

The DA, on the other hand, attributed the price increases to delayed harvests, contending that increasing prices were a normal occurrence leading to the lean production months of rice production (i.e., the third quarter of each year). The DA and the NFA assured the public of adequate rice supply, and announced it would unload/release more rice to stabilize prices.

Typhoon Haiyan devastated eastern Visayas in November 2013 but, as mentioned previously, rice damage was minimal. However, industry and government contacts report that a combination of the on-going GPH policy of officially suppressing rice imports and major relief operations following the storm led to eroded NFA buffer stocks and the official import of the additional 500,000 tons from Vietnam through a Government-to-Government arrangement in December 2013.

Commercial rice prices continued to increase in late-2013, providing more attractive incentives for undocumented rice imports to flow in. The monthly average retail price of milled rice from 2011 to 2013 is provided in the following table based on BAS data. Going around Metro Manila's retail outlets, however, prices were noticeably higher (up to the mid P40s per kilo).

Milled Rice: Monthly Average Prevailing Prices by Market Level (P/Kg)					
	2011	2012	2013	% Change	
Retail (WMR)				12/11	13/12
Jan	34.34	35.08	35.24	2.15	0.46
Feb	34.58	35.08	35.3	1.45	0.63
Mar	34.57	35.18	35.33	1.76	0.43
Apr	34.57	35.23	35.24	1.91	0.03
May	34.71	35.25	35.31	1.56	0.17
Jun	34.74	35.27	35.59	1.53	0.91

Jul	34.78	35.44	36.48	1.90	2.93
Aug	34.88	35.70	37.85	2.35	6.02
Sep	34.88	35.66	39.19	2.24	9.90
Oct	34.81	35.31	38.70	1.44	9.60
Nov	34.89	35.22	38.86	0.95	10.34
Dec	34.97	35.24	39.35	0.77	11.66
Average	34.73	35.31	36.87	1.67	4.43

Source of Basic Data: Bureau of Agricultural Statistics

As the preferred staple of the average Filipino, rice consumption in MY14/15 is expected to slightly increase from the MY13/14 level despite the increasing prices.

Trade:

Wheat

Wheat was the top U.S. agricultural export to the Philippines in 2013, with sales up 2.6% from the previous year, reaching \$624 million.

Overall wheat imports (wheat and wheat flour) in 2013 declined 17% to 3.3 million tons from the 4 million ton level in 2012 due in part to a considerable drop in feedwheat imports. Despite the decline, U.S. wheat sales in 2013 increased to 1.96 million tons from 1.86 million tons in 2012, and gained a 62% market share of overall wheat imports (up from the 49% share in 2012).

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Wheat, Group 60 (2012)				
Annual Series: 2011 - 2013				
Reporting Country	Unit	Quantity		
		2011	2012	2013
Reporting Total	T	3476112	3735633	3091677
United States	T	2069829	1864119	1955434
Australia	T	1277875	1665330	347381
Ukraine	T	0	0	236274
Canada	T	127686	109873	235871
India	T	719	96308	189709
Russia	T	0	0	127007
Others	T	3	2	1

Note: January to December Calendar Year Basis

Source of Basic Data: Global Trade Atlas

The following are wheat flour imports for the 2011-2013 period. Flour imports declined 19% from 212,000 tons in 2012 to 172,000 tons in 2013.

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Wheat Flour, Group 44 (2012)				
Annual Series: 2011 - 2013				
Reporting Country	Unit	Quantity		
		2011	2012	2013
Reporting Total	T	122483	211646	171687
Turkey	T	105459	177800	155424
Australia	T	3372	10039	8095
United States	T	114	38	2488
Taiwan	T	695	1242	1916
India	T	91	811	1834
Ukraine	T	340	480	1344
South Korea	T	186	190	163
Hong Kong	T	53	58	146
Singapore	T	114	57	143
Japan	T	21	31	80
Others	T	12172	20988	277

Note: January to December Calendar Year Basis

Source of Basic Data: Global Trade Atlas

Overall wheat imports for MY13/14 are likely to be down from the previous year's level based on import data for the July-December 2013 period and due to the short-term (at least) shift from feedwheat to corn use in the livestock industry. Imports in the second half of 2013 reached 1.7 million tons compared to the 1.9 million tons in the second half of 2012.

Milling wheat imports are likely to continue moderately growing through MY14/15 as a result of the strengthening Philippine economy and the increasing Philippine population. Feed wheat imports in MY14/15 are likely to recover from the drop in MY13/14 as the domestic livestock and poultry industries continue to expand.

Executive Order No. 61 (EO 61), signed in October 2011, adjusted Most Favored Nation (MFN) tariff rates on a range of agricultural products, including wheat. Milling wheat duties were removed by EO 61, but are still subject to a 12 percent Value Added Tax (VAT) on the subsequent flour sales, payable at the time the wheat is imported. Feed wheat imports, on the other hand, are subject to a 7 percent MFN duty and are not subject to VAT. Wheat flour imports are also subject to a 7 percent MFN tariff.

Under the ASEAN-Australia-New Zealand Free Trade Agreement, both milling and feed wheat imports to the Philippines from member countries are duty-free.

Corn

According to Global Trade Atlas, corn imports in 2013 more than doubled the 2012 level, the majority (87%) originating from Thailand. U.S. corn imports in 2013 declined 18% from the 2012 level and accounted for 5% of overall corn imports last year.

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Coarse Grains, Group 59 (2012)				
Annual Series: 2011 - 2013				
Reporting Country	Unit	Quantity		
		2011	2012	2013
Reporting Total	T	92664	178528	391099
Thailand	T	44952	90055	321245
India	T	12336	21928	20444
United States	T	9213	24260	19888
Australia	T	9590	10946	11214
Brazil	T	0	100	10635
Argentina	T	4158	5066	2704
Ukraine	T	84	396	1920
Others	T	12331	25777	3049

Note: January to December Calendar Year Basis

Source of Basic Data: Global Trade Atlas

On a market year basis, corn imports are likely to increase to 300,000 tons in MY13/14 from 92,000 tons in MY12/13 as a result of the shift away from feed wheat use to imported yellow corn. Imports are likely to increase to 400,000 tons in MY14/15 as local livestock and poultry industries prepare for full economic integration of the region. Corn exports in MY14/15 (estimated at 100,000 tons) is premised the GPH will authorize corn exports during the year.

Corn imports into the Philippines have a two-tiered MFN tariff structure: 35% in-quota duty and a 50% out-of-quota rate. For 2014, the in-quota or Minimum Access Volume (MAV) for corn is 217,000 tons. Corn imports originating from member countries of ASEAN are charged a much lower 5% duty through 2015 under the ATIGA.

Rice

Rice imports from WTO-partner countries carry a 40 percent MFN in-quota tariff through 2015. The current in-quota or Minimum Access Volume (MAV) is 350,000 tons. Imports beyond the quota are levied a 50 percent duty. Rice imports under the WTO also have quantitative restrictions (QR). In late 2011, the GPH formally informed the WTO its intention to start talks on extending the rice QR to 2017 and negotiations are ongoing.

Under the ATIGA, rice imports from ASEAN-member countries are levied a 40% duty in 2014, unchanged from the previous year's level. There are no quotas. Rice tariffs are to go down to 35% in 2015, the year the ATIGA will be fully implemented.

Rice imports through (November) 2013 are provided in the following table. Import statistics are used as reports from Vietnam rice exporters are not provided.

Philippines Import Statistics				
Commodity: Rice, Group 58 (2012)				
Calendar Year: 2011 - 2013				
Reporting Country	Unit	Quantity		
		2011	2012	2013*
World	T	709798	1022801	368860
Vietnam	T	581880	822940	184709
India	T	2147	102154	13543
Pakistan	T	0	42743	0
Myanmar	T	4125	29674	0
Thailand	T	118385	20563	161249
China	T	1527	1891	4897
Singapore	T	1514	1173	4263
Taiwan	T	0	1062	200
Cambodia	T	0	501	0
Colombia	T	0	96	0
United States	T	220	3	0
Indonesia	T	0	0	
Korea South	T	0	0	0
Spain	T	0	0	0
Japan	T	0	0	0

***January to November, most recent data available**

Note: January to December Calendar Year Basis

Source of Basic Data: Global Trade Atlas

The smuggling of food and agricultural products into the Philippines intensified in 2013, according to numerous local press articles, corroborated by industry and trade contacts. Last year, rice smugglers had very attractive incentives to ply their trade: high domestic tariffs and production costs, plentiful global supplies, increasing milled rice prices, etc. A study by the Southeast Asian Regional Center for Graduate Study and Research in Agriculture (SEARCA) revealed the most smuggled commodity into the Philippines, both in terms of volume and value, is milled rice. Volume estimates from the trade and rice millers vary from 300,000 to one million tons of rice smuggled annually. On a market year basis, FAS Manila estimates the volume of smuggled rice between 400,000-600,000 tons in MY13/14.

Responding to increasing rice prices, the DA and the NFA recently authorized the importation of 800,000 tons in 2014 to neutralize increasing rice prices and dampen inflation. Industry contacts report that an additional 200,000 ton import for 2014 volume may still follow. As a result, MY13/14 imports were raised from the original 1.4 million tons to 2.0 million tons, to be comprised of the 350,000 MAV, the 500,000 tons licensed imports announced in late 2013,

600,000 tons representing partial deliveries of the most recent announced 800,000 ton importation, and 550,000 tons smuggled imports.

No significant change in overall rice imports is predicted MY14/15. However, the share of undocumented imports relative to overall shipments is likely to decline from the previous year's level as a result of the dramatic increase in legitimate rice import in 2014.

Stocks:

Wheat

Wheat inventories are expected to decline in MY13/14 and increase marginally in MY14/15 due to increasing milling and feedwheat demand. Wheat stocks are largely private sector-held i.e., flour and feed millers.

Corn

The majority of corn stocks are with private traders and big feedmillers. Corns stocks in MY13/14 were raised due to upward adjustments made to production and imports, and are expected to remain at this level in MY14/15. Industry contacts report that corn stocks at the end of 2013 nearly reached a million tons.

Rice

Philippine rice inventory is comprised of those stocks held by the NFA, the commercial sector, and households. As a matter of policy, a 90-day national rice buffer stock entering the third quarter of each year should be maintained. Of this desired stock level, 30-day worth of rice stocks should be in the NFA's possession. Additionally, at any given time, the NFA should have a stock level good for 15 days.

Considerable imports in MY13/14 are expected to raise the reportedly depleted rice inventories. At a daily requirement of 35,000 tons, ending MY13/14 stocks are projected to last for 72 days. Stocks are predicted to increase anew in MY14/15 due to increased imports to slightly over a 90-day inventory.

Policy:

Wheat

Domestic flour millers remain seriously concerned over large amounts of cheap Turkish flour they allege is being "dumped" in the Philippines. In June 2013, the millers presented a petition to increase duties on Turkish flour from 7% to 20% to the Philippine DA. As of March 2014, the DA had not yet taken the necessary step of transmitting the anti-dumping petition to the Philippine Tariff Commission. Analysts surmise that the combination of pressure from local

bakers and the absence of any domestic wheat production keeps this from being a high priority issue for the DA.

Corn

Mainly due to good production, local corn farmers have been petitioning the GPH to allow them to export corn in recent years. The DA, in January 2014, indicated it was amenable to allowing the exportation of corn grits ahead of the ASEAN economic integration under the ATIGA by 2015. Corn exportation is allowed only in times when the NFA declares there is a surplus. To date there has been no formal declaration.

Rice

Achieving rice self-sufficiency is a priority of the Aquino Administration. The continued and massive inflow of smuggled rice, higher prices, and suppressed official imports however, have compelled the GPH to review its current agricultural policies. In a Cabinet meeting held February 2014, a shift from rice self-sufficiency to one that encourages farmers to plant alternative, high-value crops was reportedly being considered.

In a related development, House Bill (HB) 3897 or the proposed Act Granting the NFA the Sole and Exclusive Power to Import Rice was filed in Congress in February 2014. The bill seeks to prohibit rice importation by the private sector and provides stiffer penalties for violators. HB 3897 has been referred to the Committee on Agriculture of the Philippine House of Representatives.

The general issue of smuggling in the Philippines is long-standing and anecdotal, and the volumes involved are difficult to quantify. In a new report by Global Financial Integrity (GFI), a Washington DC-based research group, illicit financial inflows to the Philippine economy (primarily due to under-invoicing of imports aka technical smuggling) for the period 1960 to 2011 is estimated at \$277.6 billion. GFI has characterized the technical smuggling problem as being so widespread in the Philippines that over the past decade, 25% of the value of all goods imported into the Philippines or \$1 out of every \$4 goes unreported to customs officials.

Rice smuggling has gained special attention in the press as it is the country's preferred staple. Philippine rice farmers are protected from global prices by an unusually high tariff of 40%. This high level of protection combined with mountainous terrain, small scale production, and generally poor rice handling infrastructure has resulted in a high cost of production in the Philippines, especially when compared to the huge, relatively efficient operations of Vietnam and Thailand.

Production, Supply and Demand Data Statistics:

Wheat Philippines	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: May 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	1,044	1,044	876	876		506

Production	0	0	0	0		0
MY Imports	3,645	3,645	3,400	3,200		3,675
TY Imports	3,645	3,645	3,400	3,200		3,675
TY Imp. from U.S.	1,785	1,785				
Total Supply	4,689	4,689	4,276	4,076		4,181
MY Exports	28	28	25	25		25
TY Exports	28	28	25	25		25
Feed and Residual	1,500	1,500	1,350	1,250		1,325
FSI Consumption	2,285	2,285	2,295	2,295		2,315
Total Consumption	3,785	3,785	3,645	3,545		3,640
Ending Stocks	876	876	606	506		516
Total Distribution	4,689	4,689	4,276	4,076		4,181

1000 HA, 1000 MT, MT/HA

Corn Philippines	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2012		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,557	2,557	2,570	2,608		2,625
Beginning Stocks	623	623	576	576		881
Production	7,261	7,261	7,315	7,705		7,750
MY Imports	92	92	300	300		400
TY Imports	114	114	300	300		400
TY Imp. from U.S.	9	9				
Total Supply	7,976	7,976	8,191	8,581		9,031
MY Exports	0	0	0	0		100
TY Exports	0	0	0	0		0
Feed and Residual	5,400	5,400	5,600	5,600		5,900
FSI Consumption	2,000	2,000	2,000	2,100		2,150
Total Consumption	7,400	7,400	7,600	7,700		8,050
Ending Stocks	576	576	591	881		881
Total Distribution	7,976	7,976	8,191	8,581		9,031

1000 HA, 1000 MT, MT/HA

Rice, Milled Philippines	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,698	4,698	4,670	4,821		4,890
Beginning Stocks	1,509	1,509	1,487	1,487		2,528
Milled Production	11,428	11,428	11,640	11,891		12,017
Rough Production	18,140	18,140	18,476	18,875		19,075
Milling Rate (.9999)	6,300	6,300	6,300	6,300		6,300
MY Imports	1,400	1,400	1,400	2,000		2,000
TY Imports	1,100	1,000	1,400	2,000		2,000
TY Imp. from U.S.	0	0				
Total Supply	14,337	14,337	14,527	15,378		16,545
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Consumption and Residual	12,850	12,850	12,850	12,850		13,040
Ending Stocks	1,487	1,487	1,677	2,528		3,505
Total Distribution	14,337	14,337	14,527	15,378		16,545

1000 HA, 1000 MT, MT/HA